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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE DECEMBER 1987

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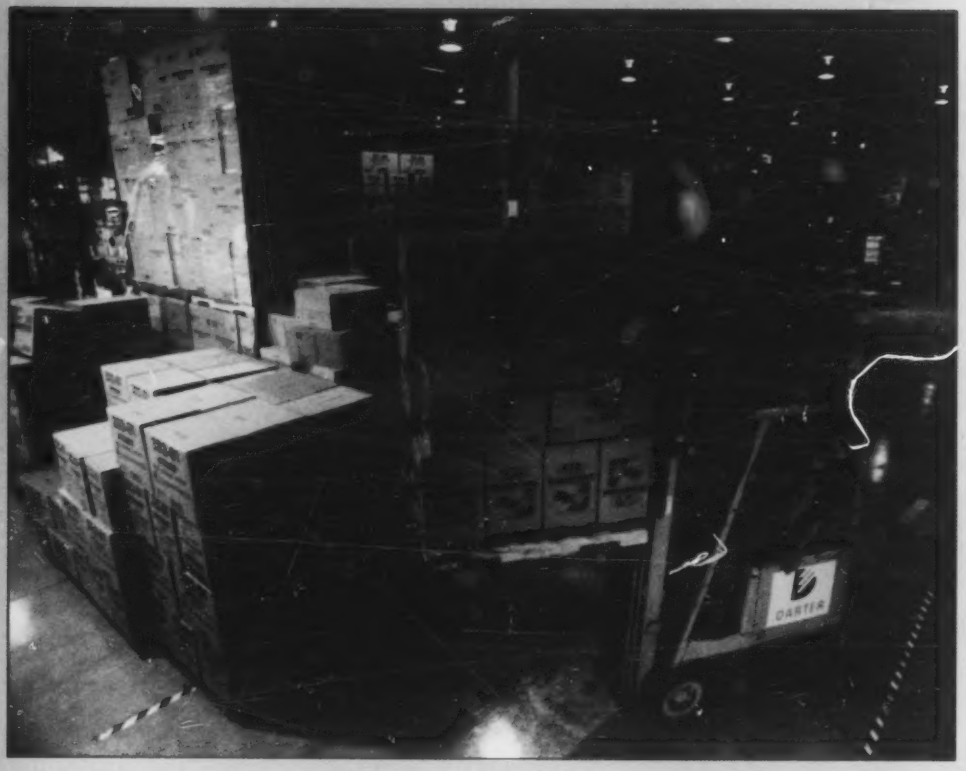
SPECIAL SECTION
WAREHOUSING CASE STUDIES

Warehousing as a Logistics Tool



SOLID SYSTEMS FOR FREIGHT PAYMENT

THE INTERMODAL LIABILITY MESS

VOL. 86, NO. 12 -

CHILTON'S

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DECEMBER 1987

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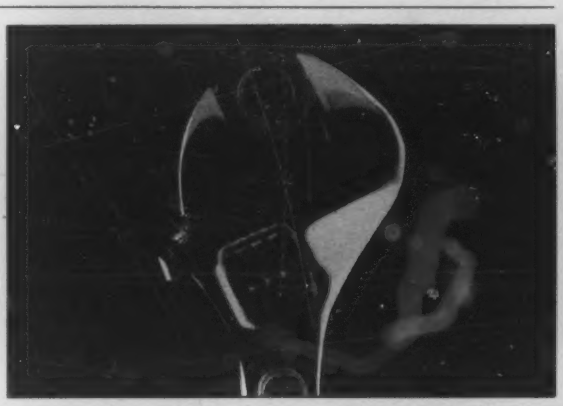

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I'D PAY HIGHER FREIGHT RATES IF...

Would you be willing to pay higher freight rates? That's what we asked you in our October Dialogue feature, and, while a few of you said you wouldn't under any circumstances, most of you said you would—for the right reasons.

"I'd be willing to pay higher freight rates if the level of service was commensurate with the premium rate level. My company uses general commodity carriers that offer little or no discount. Others who offer F.A.K./discount combinations are shunned. Why? Consistency of service."—**James V. Baker, International distribution mgr., Oscar Mayer Foods Corp., Madison, Wis.**

"I'd be willing to pay higher freight rates if the carriers asking for those increases knew their costs well enough to justify the increase and were able to honestly and openly convey that justification to us."—**Doug Knupp, traffic mgr., Copeland Corp., Sidney, Ohio.**

continued

The frequency and level of rate discounting is increasing	67%
decreasing	33%
My management expects me to secure a certain discount level	46%
management does not expect a certain discount	54%
A general rate bureau increase of 4% translates into an effective increase for my company of:	
4 percent	39%
3 percent	15%
2 percent	27%
1 percent	7%
0 percent	22%
The best way to avoid the impact of rate bureau increases is to:	
concentrate freight among cooperative carriers	36%
be a tough negotiator	31%
play one carrier off against another	6%
other	18%
In what areas are rates going up most?	
LTL interstate	63%
LTL intrastate	23%

QUESTION OF THE MONTH

MANAGEMENT BY CONTRACT

More than 60 percent of all rail traffic moves under contract arrangements. The percentage is similar for truckload movements. In ocean transportation, service contracts are fast becoming the preferred way to ship, even for relatively small shippers. And in the warehousing industry, contract arrangements are the fastest growing part of the business.

Why are so many shippers buying their logistics services through contracts? Is it just a matter of price negotiation? Do shippers really need special contracts to get the service they want?

This month, we want to know how the use of contracts has affected your business. What is your company trying to accomplish through its use of contracts?

Have you encountered problems with managing your logistics contracts that other shippers should look out for? What is your role in the negotiation and monitoring of carrier contracts? Do you get directly involved? Finally, is there an innovative way you use contracts to manage your logistics operation?

DIALOGUE

December 1987

• Five years ago, _____percent of our transportation and logistics services were purchased under contracts.

• Today, _____percent of our transportation and logistics services are purchased under contracts.

The primary goal of our contracts is to (check one)
_____Leverage volume to lower rates
_____Assure equipment availability
_____Establish required service levels
_____Integrate the carrier/warehouse with our logistics strategies
_____Other _____

The main problems we have experienced with contracts are:
_____Vendor inability to comply with contract terms
_____Our own inability to meet volume requirements
_____Subsequent disagreement on interpreting terms
_____Failure to include certain provisions such as liability, force majeur, etc.
_____Other _____

• Do you get directly involved in the negotiation and formulation of contracts for transportation and logistics services? _____Yes _____No.

One innovative way in which we use contracts to manage our transportation and logistics services is:

_____

_____

_____

_____

_____

_____

_____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of DISTRIBUTION editors:)

"It's un-American to manufacture things. Asians manufacture things. Americans acquire, divest, merge and file for bankruptcy."—**Russell Baker, columnist.**

•

"Now isn't *that a sad* commentary on today's fast buck, don't-get-your fingernails-dirty society? And isn't it also a sad commentary on America's ability to compete? 'Competitiveness,' of course, is the big buzzword of the year.... My only worry is that, like so many other buzzwords, it might become a cliche before it becomes a reality."—**Gerald Greenwald, chairman, Chrysler Motors Corp.**

•

"In today's transportation world, the prompt, smooth, steady flow of information is the key to expeditious cargo movements. The old philosophy was to control the cargo, and if there was a problem with a transaction during a certain phase, the shipper would handle it then. The new philosophy is to control the information relative to the cargo movement, and you'll control the cargo movement."—**Joseph P. Monaghan, national account executive, Fritz Companies, Inc.**

FREIGHT RATES continued from p. 7

"I'd be willing to pay higher rates if I never had to fill out another freight claim form, and service was always within one day of the date published and promoted by carrier sales reps."—**Perry E. Sprague, vice president, Brown Cargo Van Inc., Lawrence, Kan.**

"I'd pay higher rates if I didn't have a choice, our competitors also paid more, or the higher rates guaranteed service that would produce savings equal to or greater than the increase."**John Olson, warehouse mgr., Hitachi Sales Corp., Elk Grove, Ill.**

"I'd pay higher rates if quicker service were offered and that service was easily monitored through a top-notch EDI package."—**Steven L. Bullard, corporate traffic mgr., Block Industries, Wilmington, N.C.**

"I'd be willing to pay higher rates if the service we received was as good as promised in the sales pitch. But if a carrier offers discounts of 50 percent or more, then rates are exorbitant to begin with. Realistic pricing is what's needed."—**Rodger Wills, traffic mgr., Young Radiator Co., Racine, Wis.**

"I'd pay higher rates if I was guaranteed better delivery and service than what the other carriers are offering. Lately, it seems like you get what you pay for, and when carriers offer you a 60-65 percent discount, what can you expect?"—**Cynthia Benore, traffic mgr., Floating Floors, Inc., Toledo, Ohio.**

"I am not willing to pay higher freight rates under any circumstance. If rates continue to increase I may start up my private fleet again."—**Stephen W. Young, transportation mgr., Huffy Corp., Celina, Ohio.**

"I would not be willing to pay higher rates unless equipment capacity decreases in the market."—**G. Van Kell, mgr., motor transportation, Morton Salt, Chicago.**

"I don't think anybody is willing to pay a higher freight rate unless they are forced to. We are already getting good service and good rates. What more could you ask for?"—**Thomas Doyle, rate analyst, Meridian Traffic, Quincy, Mass.**

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STATISTICAL FOCUS

NORTH AMERICAN PORTS, GROSS FREIGHT TONNAGE – EXPORT

	1986	1985	Change
North Atlantic	69,018	78,201	−8,400
Portland (ME)	63	22	+41
Portsmouth	298	163	+135
Boston	503	757	−254
Providence	499	241	+258
New Haven	251	252	−1
New York	6,183	5,815	+368
Albany	132	354	−222
Camden	1,129	954	+175
Philadelphia	4,220	5,609	−1,389
Wilmington (DE)	300	489	−189
Baltimore	10,500	13,961	−3,461
Hampton Roads	44,220	48,769	−4,549
Richmond (VA)	164	102	+62
South Atlantic	13,666	14,514	−848
Morehead City	347	1,156	−809
Wilmington (NC)	687	680	+7
Charleston	3,762	3,733	+29
Savannah	3,948	3,940	+8
Brunswick	235	208	+27
Jacksonville	340	906	−566
Canaveral	176	108	+68
Palm Beach	867	649	+218
Everglades	329	275	+54
Miami	1,041	1,150	−109
San Juan	578	545	+23
Gulf	134,752	143,865	−9,113
Tampa	1,005	11,066	−10,061
Panama City	364	344	+20
Pensacola	327	336	−9
Mobile	11,069	11,403	−334
Gulfport	236	353	−117
Pascagoula	2,837	2,210	+627
New Orleans	22,757	23,182	−425
Baton Rouge	14,556	12,868	+1,688
Gramercy	27,997	29,166	−1,169
Destrehan	8,098	8,462	−364
St. Rose	6,778	6,906	−128
Lake Charles	4,132	2,952	+1,180
Beaumont	3,365	1,858	+1,507
Port Arthur	2,529	2,727	−198
Galveston	3,930	4,785	−855
Texas City	1,379	1,555	−176
Houston	17,563	17,411	+152
Freeport	1,005	973	+32
Corpus Christi	3,820	3,975	−155
Brownsville	286	202	+84
South Pacific	30,701	30,009	+692
San Diego	371	613	−242
Long Beach	9,097	9,370	−273
Los Angeles	8,230	7,499	+731
Hueneme	44	284	−240
San Francisco	602	427	+175
Oakland	2,745	3,019	−274
Richmond (CA)	3,221	2,289	+932
Redwood City	213	221	−8
Stockton	275	396	−121
Sacramento	593	981	−388
Honolulu	349	820	−471
North Pacific	50,821	51,204	−383
Astoria	399	695	−296
Coos Bay	4,129	4,329	−200
Portland (OR)	11,571	8,568	+3,003
Vancouver	281	2,641	−2,360
Longview	6,834	5,195	+1,639
Kalama	1,657	4,216	−2,559
Grays Harbor	2,718	3,523	−805
Everett	1,613	1,476	+137
Bellingham	929	1,034	−105
Anacortes	779	615	+164
Port Angeles	2,312	2,112	+200
Olympia	299	447	−148
Seattle	4,120	3,571	+549
Tacoma	6,741	6,907	−166
Anchorage	3,166	2,975	+191
Great Lakes	31,987	34,210	−2,223
Ogdensburg	1	18	−17
Oswego	–	3	−3
Buffalo	92	172	−80
Duluth/Superior	5,389	4,598	+791
Milwaukee	272	694	−422
Green Bay	50	56	−6
Detroit	909	684	+225
Chicago	929	1,030	−101
Cleveland	555	510	+45
Toledo	5,976	7,328	−1,352
Ashtabula	2,630	3,441	−811
Conneaut	5,064	5,500	−446
Sandusky	2,857	2,902	−45
Erie	77	76	+1

Source: American Association of Port Authorities

STATISTICAL FOCUS

NORTH AMERICAN PORTS, GROSS FREIGHT TONNAGE—IMPORT

	1986	1985	Change
North Atlantic	168,156	147,360	+20,796
Portland (ME)	4,181	4,703	−522
Portsmouth	1,567	1,154	+413
Boston	10,586	6,852	+3,734
Providence	2,391	1,360	+1,031
New Haven	3,062	2,261	+801
New York	52,637	48,908	+3,792
Albany	2,626	1,558	+1,068
Camden	1,760	682	+1,078
Philadelphia	22,121	18,698	+3,423
Wilmington (DE)	9,619	9,948	−329
Baltimore	14,168	12,135	+2,033
Hampton Roads	8,394	8,305	+89
Richmond (VA)	142	179	−37
South Atlantic	47,776	42,760	+5,016
Morehead City	541	329	+212
Wilmington (NC)	2,369	2,136	+233
Charleston	3,509	3,059	+450
Savannah	5,840	5,284	+556
Brunswick	947	1,069	−122
Jacksonville	3,596	3,342	+254
Canaveral	1,424	1,464	−40
Palm Beach	759	730	+29
Everglades	3,579	2,730	+849
Miami	1,693	1,374	+319
San Juan	4,432	4,543	−111
Gulf	171,324	141,012	+30,312
Tampa	5,436	4,671	+765
Panama City	60	65	−5
Pensacola	123	149	−26
Mobile	7,136	6,703	+433
Gulfport	739	844	−105
Pascagoula	11,863	8,275	+3,588
New Orleans	16,832	14,545	+2,287
Baton Rouge	8,921	6,888	+2,033
Gramercy	10,981	7,942	+3,039
Destrehan	200	123	+77
St. Rose	1,133	428	+705
Lake Charles	13,992	10,495	+3,497
Beaumont	4,615	8,913	−4,298
Port Arthur	8,542	6,437	+2,105
Galveston	1,247	1,045	+202
Texas City	16,329	12,916	+3,413
Houston	31,523	23,579	+7,944
Freeport	4,307	5,027	−720
Corpus Christi	23,602	17,987	+5,615
Brownsville	192	319	−127
South Pacific	36,174	35,247	+927
San Diego	620	770	−150
Long Beach	9,991	11,430	−1,439
Los Angeles	10,408	9,472	+981
Hueneme	334	940	−606
San Francisco	1,103	882	+221
Oakland	2,739	2,447	+292
Richmond (CA)	2,080	1,665	+415
Redwood City	87	62	+15
Stockton	441	305	+136
Sacramento	45	214	−169
Honolulu	3,559	3,662	−103
North Pacific	16,496	16,057	+439
Astoria	79	19	+60
Coos Bay	7	1	+6
Portland OR)	2,277	2,356	−79
Vancouver	577	798	−221
Longview	782	742	+40
Kalama	46	25	+21
Grays Harbor	5	–	+5
Everett	535	525	+10
Bellingham	1,056	1,160	−104
Anacortes	1,152	1,312	−160
Port Angeles	177	170	+7
Olympia	7	11	−4
Seattle	4,901	5,032	−131
Tacoma	3,978	2,874	+1,104
Anchorage	302	51	+251
Great Lakes	13,843	17,111	−3,268
Ogdensburg	4	13	−9
Oswego	403	397	+6
Buffalo	309	299	+10
Duluth/Superior	494	500	−6
Milwaukee	502	530	−28
Green Bay	205	257	−52
Detroit	2,168	2,447	−279
Chicago	2,448	3,005	−557
Cleveland	2,386	2,846	−460
Toledo	1,646	1,691	−45
Ashtabula	545	548	−3
Conneaut	28	94	−66
Sandusky	–	–	–
Erie	181	338	−157

Source: American Association of Port Authorities.

LAST PICKUP

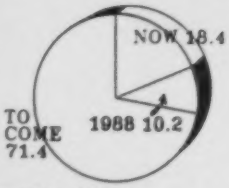
SURVEY REVEALS UNTAPPED MARKET

A recent survey conducted for Telxon Corporation, one of the largest producers of hand-held microcomputer systems, shows some interesting results. Since its inception, the use of bar coding and electronic point of origin data collection continues to surge. Also, the technology is spreading beyond its grocery genesis to develop stronger appeal in other industries. However, the survey reveals a vast, still largely untapped market.

According to Telxon VP of Marketing Thomas Kinch, only 18.4 percent of the companies contacted are currently using bar coding or some other form of auto ID; 75.5 percent of respondents who identified themselves as current or future users recognize the increasing importance of some form of electronic point-of-origin data gathering in enhancing productivity, control and overall efficiency.

The survey also found that top management support for extending data to the field or factory or warehouse has dramatically increased. And the expansion of applications for current users and new applications by non-users suggest significant growth for a marketplace currently estimated at $500 million a year.

THE FUTURE



Source: Conner & Church

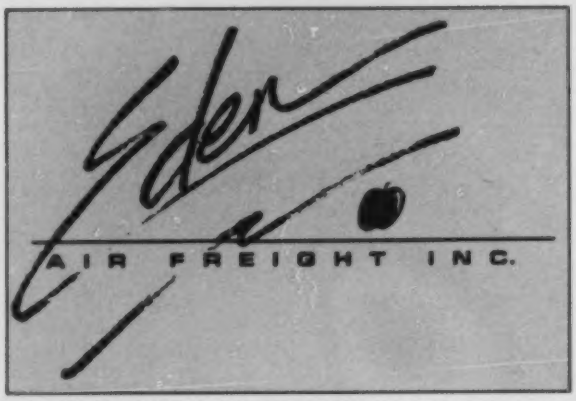
Another 10% of businesses in the U.S. plan to install electronic point-of-origin data collection within the next 12 months. Almost all of the remaining two-thirds are in fields where competition is or will be using these systems, and will be forced to consider them to stay competitive.

CURRENT USES

SALES MANAGEMENT	38%
WAREHOUSING	35%
DISTRIBUTION	32%
ADMINISTRATION	19%
PROD. CONTROL	15%

Source: Conner & Church

Among users, electronic point-of-origin data applications are today concentrated in five categories, with most firms reporting multiple uses.



A NEW HAT IN THE AIR FREIGHT FORWARDING RING

Lawrence L. Rodberg has landed on his feet as president and CEO of Eden Air Freight, a new air freight forwarding firm based in Irvine, Calif. Eden will service every airport city in the U.S., capitalizing on the scheduled airlines' huge available lift to provide same-day, next-day and second-day delivery of all weights and sizes.

A pure air freight forwarder, stations are located in Atlanta, Boston, Chicago, Dallas, Denver, Honolulu, Los Angeles, New York, Newark, San Diego, San Francisco and Seattle.

SHIPPERS RECOGNIZE QUALITY CARRIERS

Orient Overseas Containerline (OOCL) has received the first award Montgomery Ward has ever offered to a carrier.

Lee J. Heisler, Montgomery Ward's international division manager, presented the award to Ibrahim Hur, OOCL's director of marketing. OOCL was recognized for 10 years of consistent, high quality service between the U.S. and Asia.

Storage Technology Corp., which manufactures and markets information storage and retrieval subsystems for high-performance computers, also honored several carriers for providing distinguished service in their particular traffic lanes.

The awards were given to representatives of Boulder-Denver Trucklines (BDT), Burlington Air Express, Emery Worldwide, Bob Martin Trucking in Minneapolis, Aero-Mayflower Transit (Denver agent: Buehler Moving and Storage), and United Van Lines (Denver agent: Johnson Moving and Storage).

HERE'S HOW CLASS 1 RAILROADS DID LAST YEAR

The Association of American Railroads' Economic and Finance Department has released its annual Analysis of Class 1 Railroads. The ninth annual edition of the study includes financial and operating statistics, traffic averages and percentages, operations and employment data, fuel consumption, net worth, and replacement of plant and equipment. Copies of the analysis, as well as the previous eight installments, are available from the AAR. Circle 523 on the Reader Service Card.

NEW JOB FOR VIDRICK

Bob Vidrick, longtime member of DISTRIBUTION's Editorial Advisory Board, has retired from Robertshaw Controls where he was director of corporate transportation. Bob has opened his own logistics consulting firm in Richmond, Va. Bob's practice will cover both international and domestic logistics, and he will continue to contribute to DISTRIBUTION. Bob can be reached at (804) 740-3933.

10 COMMANDMENTS FOR THE WAREHOUSE

In the spirit of our warehousing issue, we bring you these commandments from Distribution Center Management, Silver Spring, Md.:

1. Thou shalt not have a late order, nor ship incorrect or incomplete orders.
2. Thou shalt honor thy customers' requested ship dates.
3. Thou shalt ship clean and undamaged product.
4. Thou shalt follow packing and palletizing instructions.
5. Thou shalt mark and label as instructed.
6. Thou shalt maintain good order and square loads in floor stacks and racks alike.
7. Thou shalt not suffer spillage, moisture or other contaminants on the warehouse floor.
8. Thou shalt not permit access to the warehouse to any except authorized personnel.
9. Thou shalt report immediately any problems concerning safety or security.
10. Thou shalt maintain thy warehouse areas as if thy job depended on it—because it does.

NEED WAREHOUSING/ DISTRIBUTION HELP?

If you're having trouble keeping the 10 commandments above, these two companies may be able to help:

Allied Distribution Inc., represents warehousemen across the U.S. and Canada. For "cost free" distribution assistance, contact Ernie Brunswick or Bill Fitzgerald (312) 957-2113. East Coast customers may call (800) 832-5432.

Trammell Crow Distribution Corporation can also help you with your full-service distribution needs. They can be contacted by phone or mail: Trammell Crow Distribution Corp., P.O. Box 110895, Carrollton, TX 75011. (214) 416-9203.